Now, I'm not sure what I could say beyond that.

MR. EDWARDS: Well, have you done any analysis of the, let's say, Verizon's proposed TELRIC rates for tandem interconnection in this proceeding?

MR. SCHELL: I'm familiar with what the TELRIC rates are. I have not analyzed them.

MR. EDWARDS: Have you analyzed your own company's models proposed rates for tandem interconnection in this proceeding?

MR. SCHELL: No, again, I'm not the cost witness, so that would be beyond my purview.

MR. EDWARDS: You're not a costing analyst at all; correct?

MR. SCHELL: Not in the context of this proceeding, that is correct.

MR. EDWARDS: Now, I want to go back, Mr. Schell, just for a second and discuss with you the paradigm that I discussed with Mr. Grieco about the LEC A and LEC B and Verizon providing transit services between the two. All right, sir?

MR. SCHELL: Yes.

MR. EDWARDS: Now, would you agree with me that one of the reasons that LEC A and LEC B may not interconnect directly is not related to volume of traffic but may be related to the fact that they're unable to agree on the terms of interconnection?

MR. SCHELL: At least today I'm certain that it's more--at least from my experience would be more based on the amount of traffic that they're exchanging. Because we are exchanging that traffic today through Verizon, we haven't been obligated to negotiate interconnection-type agreements with those carriers, so I don't know what that situation would be, prospectively.

MR. EDWARDS: So, you don't have any history with trying to negotiate such agreements with other LECs?

MR. SCHELL: I don't think we have any situation in Virginia where we have tried to do that.

MR. EDWARDS: My notes don't reflect a

reference, but I believe it's in your testimony that you said that also there is no arbitration mechanism to force LEC A and LEC B to resolve differences, should they exist; is that right?

MR. SCHELL: If they're CLECs or CMRS or carriers of that ilk, I believe the Act would apply to the independent telephone companies, but not to the nonincumbent carriers.

MR. EDWARDS: So, it's possible, then, that because there is no mechanism to cause those LEC A and LEC B to enter into an Interconnection Agreement, and you don't have a threshold in your proposed language for how much transit traffic you expect Verizon to carry, that under AT&T's proposal it's possible that Verizon could carry unlimited amounts of transit traffic for an indefinite period of time; is that correct?

MR. SCHELL: No, I don't agree. I think the companies will act in their own self-interest in their economic and financial interest, and as soon as it's cost-effective for those cost companies to establish direct trunking, they will

do so. It's obviously in their self-interest.

As a matter of fact, I believe this problem is self-fixing. As soon as it becomes cost-effective for each of these companies to interconnect with each other, they will do it. They will only go through Verizon as long as that is the cost-effective way to provide that interconnection. They're rational firms and they will behave rationally based on the economics of the situation.

MR. EDWARDS: Let's me ask to you look at page 58 of AT&T Exhibit 3, lines 15, 16, and 17.

MR. SCHELL: I'm familiar with it, yes.

MR. EDWARDS: There you say if AT&T cannot negotiate acceptable terms for direct connection with that LEC, and I assume you mean acceptable terms to AT&T, it should not be required to engage in direct connection with that carrier.

Do you see that?

MR. SCHELL: Yeses I do.

MR. EDWARDS: That language there doesn't have anything to do with cost efficiency, it has to

do with the terms and conditions of interconnection; correct?

MR. SCHELL: Yes. It provides a caveat that says if for some reason the parties despite good faith efforts simply can't agree on the specifics related to interconnection, that the parties are not then forced into some less than desirable arrangement.

MR. EDWARDS: So, it would be possible, then, that even though with respect to the volume of traffic it may be efficient to connect directly, if AT&T doesn't have the business terms it wants, it still wouldn't do so?

MR. SCHELL: Again, I think subject to good faith negotiations, the parties would reach agreement. It would be in their financial interest to do so, and I wouldn't speculate on what would pop up as some deal breaker for the companies. I think the companies would interconnect and do it. We just don't want to be directed to do it at any cost because obviously that would inhibit negotiations between the parties.

MR. EDWARDS: But you do want Verizon to be directed to provide transit service?

MR. SCHELL: I believe Verizon has an obligation under the law, and under Section 997 of the Commission's First Report and Order, to provide indirect interconnection for competing carriers.

MR. EDWARDS: Let me ask you to look at page 59 of AT&T Exhibit 3. And just generally, your answer there, is it fair to say that in your answer you're agreeing that the tandem exhaust issue resulting from transit service is an issue that could affect the industry as a whole?

MR. SCHELL: I think if the Commission determined that there were an issue that was affecting the industry as a whole, then the proper way to address it would be in an generic proceeding where the interests of all parties could be addressed.

And as we heard in Cox's cross-examination of Verizon's witnesses on October the 9th, the preponderance of the traffic on the tandems is not CLEC traffic. It is Verizon's traffic. It is IXC

traffic, it is CMRS traffic. And what Verizon is attempting to do here is to peel off one subset of that traffic and say, oh, my gosh, this small amount of traffic is now driving exhausts in our tandems and we shouldn't be required to provide the service. To me, that's not appropriate.

MR. EDWARDS: Let me take you back to my question now.

Would you agree with me that the tandem exhaust issue from CLEC traffic, which was the fastest growing area of traffic on tandems, is an issue that the industry as a whole should deal with in a generic rulemaking proceeding?

MR. SCHELL: Verizon has provided no evidence in this proceeding that the CLEC traffic is causing any particular exhaust problems on their switches. They have indicated they have two switches in Virginia that are going to be exhausting within the year or so. But again, they have not delved under that despite AT&T's request for that information. For example, in discovery request 622, we asked Verizon to tell us the

traffic that was on the tandems and what was driving the exhaust, and Verizon did not respond to that.

So, from my perspective, there is no evidence in the record that the CLECs are in any way driving the exhaust of these tandems. They're simply exhausting as the business volumes that Verizon handles grows.

MR. EDWARDS: Okay. Let's take it up a level then, and we will go back to my question again. I don't even want to put it in the context of tandem exhaust. I think you made your point on that. Let's just put it in the context of a hypothetical issue that affects the industry as a whole.

It seems to me that your testimony here on page 59 supports the position that on issues that affect the industry as a whole, those should be dealt with in generic rule makings; is that correct?

MR. SCHELL: I think that's probably appropriate so that all the parties could have an

opportunity and a voice.

MR. EDWARDS: And is it also fair that your testimony here says that for issues that are appropriate for generic rule makings, they should not be decided in individual arbitration proceedings?

MR. SCHELL: I think that's a fair characterization, yes.

MR. EDWARDS: In fact, you say that directly on lines 12 and 13. The Commission could not and should not address such an industry-wide issue in the context of an individual arbitration; correct?

MR. SCHELL: AT&T's position is that the Commission should adjudicate this particular Interconnection Agreement based on the law and the Commission's orders that are in effect today. If the Commission wants to look down the road at evaluating those, then it should do so in the context of a general proceeding where all parties have an opportunity to comment.

MR. EDWARDS: All right. Mr. Grieco, back

to you. I'm back at WorldCom Exhibit 3, pages 77 to 79. Why don't you just glance at those a minute, and I don't have a specific line reference, but I think you're dealing here with billing issues.

MR. GRIECO: Okay.

MR. EDWARDS: Now, is it fair to say that under WorldCom's proposal not only does WorldCom propose that Verizon provide this transit service, but that Verizon also in effect become the billing and collecting agent for WorldCom?

MR. GRIECO: Well, I would characterize it more as using your existing billing arrangements with the carriers involved. We would settle with you, and you would settle with the other party which you already have a billing arrangement with.

MR. EDWARDS: So, if you were ILEC A, in the example I'm using and Verizon is providing transit service to ILEC B, then under WorldCom's proposals, ILEC A, WorldCom, would never have to deal with ILEC B with respect to billing or collecting; correct?

MR. GRIECO: Could you please repeat that.

MR. EDWARDS: If WorldCom is ILEC A in the example I have been using, Verizon is providing transit service to ILEC B, as I understand WorldCom's proposal, Verizon's rate structure with WorldCom controls billing and collecting between Verizon and WorldCom in that situation; correct?

MR. GRIECO: Correct.

MR. EDWARDS: And then Verizon's rate structure with ILEC B controls billing collecting with respect to ILEC B in that transit service situation; is that correct?

MR. GRIECO: Correct.

MR. EDWARDS: And WorldCom and ILEC B never deal with each other with respect to billing and collecting for that transit service; is that right?

MR. GRIECO: Not in that scenario, no.

MR. EDWARDS: Why am I wrong? Am I right?

MR. GRIECO: In that scenario, yeah, you are correct.

MR. EDWARDS: I am correct.

Let me ask you to look at WorldCom Exhibit 15, which is your rebuttal testimony on this issue, page 53. And the sentence begins on line six and goes to line nine.

MR. GRIECO: Okay.

MR. EDWARDS: Do you see that?

MR. GRIECO: Yes.

MR. EDWARDS: That sentence there you're talking about the billing and collecting structure that I just outlined to you; correct?

MR. GRIECO: Correct.

MR. EDWARDS: You say there that if WorldCom's proposal is adopted it minimizes the total number of bills exchanged by all carriers; correct?

MR. GRIECO: Yes.

MR. EDWARDS: Would you agree with me that it increases the number of bills that Verizon has to deal with; correct?

MR. GRIECO: No. It doesn't change the number of bills. You already billed that carrier for traffic between you and that carrier. It's

just additional minutes of use.

MR. EDWARDS: Well, administratively, it requires Verizon to account for traffic that it otherwise would not have to account for if it was not providing transit service; correct?

MR. GRIECO: I would say probably it would allow you not to account for traffic. You're probably backing out today.

MR. EDWARDS: Well, for transit traffic, Mr. Grieco, Verizon is neither the originating nor the terminating carrier; correct?

MR. GRIECO: Correct.

MR. EDWARDS: And so, for that traffic you would not have to account for--it would not have to account for traffic for which it is neither originating nor terminating but for the transit service situation; correct?

MR. GRIECO: One more time, please.

MR. EDWARDS: For transit service traffic, Verizon is neither the originating nor the terminating carrier; correct?

MR. GRIECO: Correct.

MR. EDWARDS: But under WorldCom's proposal Verizon would have to account for that traffic either in its relationship with ILEC A--LEC A or LEC B; correct?

MR. GRIECO: What I think it's trying to say or what I was trying to allude to a second ago is that, if you have a trunk group carrying traffic between you and the third-party CLEC or independent or wireless carrier, whoever it may be, there is a certain amount of minutes that go across that trunk group that you bill to that carrier.

Now, to not bill them for traffic originating on our network requires an action on your part.

MR. EDWARDS: But those minutes--are you finished?

MR. GRIECO: Well, let me--so, by simply billing them as if it was your traffic originating on your network, you have nothing you would have to do at all other than bill the third-party carrier.

MR. EDWARDS: But would you agree with me that those minutes would not be on that trunk but

for the fact that Verizon is providing transit service?

MR. GRIECO: Yes, that is true. And as long as you're providing the service, you're completing that traffic or routing that traffic to that carrier, and there is billing associated with that so there's no--to back that up, there is more work for you not to bill the carrier than there is for you to bill the carrier.

MR. EDWARDS: What is the relationship between Verizon's rate structure with WorldCom and Verizon's rate structure or rate agreements with LEC B, on the one hand, and the agreement between WorldCom and LEC B on the other? Why should the rate--if WorldCom as LEC A was going to enter into direct agreement with LEC B, do you know for sure than the rate agreement, the rate structure between LEC A and LEC B would be exactly the same as exists on Verizon's network?

MR. GRIECO: I can't speculate on that.

MR. EDWARDS: It might or might not; is that right?

MR. GRIECO: It might or might not.

MR. EDWARDS: Those are all the questions I have for this panel. Thank you.

MR. DYGERT: Thank you. We will have Verizon's witnesses up now.

Good morning, gentlemen, would you identify yourselves for the record.

MR. ALBERT: My name is Don Albert for Verizon.

MR. D'AMICO: My name is Peter D'Amico, and I'm with Verizon.

MR. DYGERT: And just as a reminder, you are both still under oath.

CROSS-EXAMINATION

MR. KEFFER: Good morning, gentlemen. Mark Keffer for AT&T.

For the access traffic that hits Verizon's tandem, do you require interexchange carriers to move that traffic off the tandem when volumes reach a particular level?

MR. ALBERT: I believe there is a discovery question we answered on that, and access

interexchange carriers buy out of the access tariffs. There no threshold in the access tariffs. What we do is when we do work with interexchange carriers, we will negotiate with them on a case-by-case basis. But it's not in the access tariffs.

MR. KEFFER: And indeed, the language in the access tariff, and I've got it here if you need to see it to refresh your recollection, says that Verizon will work cooperatively with the interexchange carriers to establish the appropriate routing requirements?

MR. ALBERT: That's correct. And I think the biggest difference between buying out of the access tariffs versus buying out of an Interconnection Agreement is that in Interconnection Agreements with carriers we are on hook for performance standards, performance penalties, and performance payments. We are not on the hook for those types of issues with interexchange carriers out of the access tariffs.

MR. KEFFER: Now, you indicate that--well,

I think you indicated in testimony last week that Verizon's own policy is to move traffic off the tandem when volumes hit the DS1 level between two end offices; is that correct?

MR. ALBERT: That's part of it, and to expand on that, we not only will establish trunking directly between end offices, but then we will also use another engineering design algorithms so that as we need to add capacity to complete calling between two particular end points, we will then also add first to the direct trunk group that goes between the two Verizon offices.

So, under normal conditions, and as traffic grows, the expansions that we do to the trunking network we continue to grow with the direct group, once we have established for that direct group.

MR. KEFFER: All right.

Now, in discovery we asked you if Verizon had any engineering studies that it uses to determine when it's appropriate to direct connect between offices as opposed to route the traffic

through the tandem, and your response was you didn't have any studies. Or, if you had studies, they were so old you couldn't find them; is that right?

MR. ALBERT: Yes. The studies that were done which dated back to the late eighties, we were not able to locate copies of those. There was a progressive series of studies which continued to decrease the amount of traffic which, in turn, made it efficient to move off of the tandem and to establish a direct end office trunk group.

Over time, that continued to decrease. It became basically a moot point to have to further update the studies that had been condition previously in the late eighties and early nineties, and it's those studies we were not able to locate copies of, and that's become an accepted design within the network.

MR. KEFFER: And I take it your description of those studies is from memory that's at least a decade old since you indicated you could not find the studies?

MR. ALBERT: The last one I remember seeing was in the early nineties. Like I said, there was a progression of updates to the studies where the economics did continue to change, and those subsequent studies kept reducing the overall breakpoint to the point where I think the last one I can recall reading, it had gotten down to 12 trunks' worth of traffic was sufficient at that point to establish a direct end office trunk groups.

MR. KEFFER: Now, when you established direct end office trunk groups for your own traffic, if the traffic that's traversing that direct route between the offices exceeds the volume of the connection, you route your overflow traffic through the tandem; right?

MR. ALBERT: That's correct.

MR. KEFFER: Now, under your proposal in this proceeding, if your language was adopted and an interexchange carrier or a CLEC was required to establish direct trunking arrangements with another CLEC, and the traffic on that direct route exceeded

the capacity of that route, what would the CLEC do then?

MR. ALBERT: The CLEC would also route overflow through the tandem.

MR. KEFFER: All right.

MR. ALBERT: If you look at what we have agreed to with WorldCom, the particular design criteria that's used to determine how much of the total traffic is designed to route directly between the end offices versus how much of the total traffic is to overflow through the tandem, the engineering we design that we use for that with the CLECs is the same design that we use for that within our own network. That's referred to as an ECCS-of-5, and that somewhat cryptic jargon stands for the last economical CCS or hundred call seconds of five.

And to explain that even a little bit further, what that means is that the trunk group that goes direct between the two end offices is sized based on its load so that the last trunk within that trunk group in the busy hour will be

carrying a maximum load of five CCSs.

The net effect of that design criteria is that out of the total busy hour traffic, somewhere between 90 to 80 percent of it will go across the direct trunk group, and somewhere between 10 to 20 percent of it would be overflow that would go through the tandem.

If you worked through the algorithms, it's probably closer to the 90 percent that goes direct, once you have ratcheted your design down to the last economic level CCS level of five.

MR. KEFFER: Your engineering explanation there went to the requirements you impose on direct trunking between your own end offices that would not necessarily apply to direct trunking two CLECs might establish with one another; right?

MR. ALBERT: No. The CLECs would establish with each other?

MR. KEFFER: I guess my simple point is: That's not your concern, is it?

MR. ALBERT: It is when it comes to tandem traffic.

MR. KEFFER: Okay. Which gets me back to my question. If the traffic traversing, and let's use AT&T as an example here, traversing a direct route, and if your contract language is adopted and AT&T was required to put its traffic on a direct trunk group to another CLEC at the DS1 level, and the traffic on that route exceeded the capacity of the route, how would AT&T get its traffic routed? I think your answer a couple of minutes ago was it could route it through the tandem.

MR. ALBERT: I was talking about ours. Let me defer to our product manager in terms of the overflow, if they have overflow with tandem transit.

MR. KEFFER: My question is a simple one. Can you point me to the place in your contract proposal with AT&T where what Mr. Albert just described could occur.

MR. D'AMICO: In the language we talked about traffic being under DS1, so whether that traffic is the first route or an overflow route, that's under DS1's worth.

MR. KEFFER: Show me the language anywhere in your proposal with AT&T that deals with the overflow traffic we just described.

MR. D'AMICO: Well, again, it doesn't deal specifically with overflow or direct traffic. It deals with traffic. So, in fact, how would we know if it's the first route or second route? So, again, as long as that traffic is under DS1, that could be the first route or it could be an alternate route.

MR. GOYAL: If I could interject here just to ask a clarifying question. The treatment of overflow traffic between two CLECs using Verizon tandem transit service, would that be specified in the Interconnection Agreement between Verizon and, say, one of those CLECs if it was AT&T, or would that be properly dealt with in the Interconnection Agreement between the two CLECs?

MR. D'AMICO: I think it would need to be addressed between the two CLECs, but Verizon, as well, addresses that. Again, not specifically, but in the transit language it says that Verizon will

terminate transit traffic up to a level of a DS1.

MS. PREISS: Could I ask a question, and maybe I don't understand, but is what you're saying, Mr. D'Amico, that Verizon's proposal is not that once traffic between two CLECs exceeds a DS1 level, then all traffic between these CLECs must be routed on direct trunks between those two CLECs. What you're saying is Verizon will continue to provide transitting service for up to a DS1 level of traffic, and any additional traffic between those two CLECs must be handled on direct trunks between them?

MR. D'AMICO: Yes.

MS. PREISS: And that applies with respect to this 180-day issue we will have to explore later if AT&T doesn't explore it. After 180 days AT&T would have to establish direct trunks, but you, Verizon, would continue to provide transitting service after that point for up to a DS1 level of traffic?

MR. D'AMICO: Well, actually, the language says after 180 days, Verizon has the option to no

longer provide transit traffic.

MS. PREISS: Okay. Well, I think that's the question Mr. Keffer is trying to ask you.

MR. D'AMICO: I thought it was in relation to under DS1 or over one of the traffic regions.

MS. PREISS: Okay. That's the question I'm trying to ask you. But I would like an answer.

MR. KEFFER: I think we're both trying to ask the same point. And that is, traffic hits the DS1 level. Your contract language would require AT&T to move that move off the tandem and onto a direct route.

MR. D'AMICO: Correct.

MR. KEFFER: And if AT&T continued to send traffic through the tandem, we would pay not only the TELRIC charges, but also a sort of punitive tandem transit service charge that would be on top of the TELRIC rates; right?

MR. D'AMICO: Yes.

I don't know if I'd call it punitive.

MR. KEFFER: That's my word, not yours, and that's fair.

MR. DYGERT: Could I clarify one thing, though. I think your response to Ms. Preiss's question indicated that once traffic--once CLEC transit traffic exceeds a DS1 level, Verizon's proposed language would require AT&T only to move off that portion of the traffic that exceeds the DS1 level. And to the extent that the transit traffic fell below--was still significant but fell below a DS1 level, it could continue to transit Verizon's switch without incurring this extra charge that Mr. Keffer is talking about.

MR. D'AMICO: Yes, sir.

And in regarding the 180 days, I think the language talks about that's where the CLECs should have established an agreement with the other CLEC in that period, so maybe that's--A, we are trying to make sure that we are under a DS1, and B, we are trying to get the two parties together, and I think the 180 days is trying to get the two parties to reach an agreement with the 180 days.

MR. GOYAL: If I could ask one clarifying question about the 180 days since we're on the

subject now, when is the 180-day period triggered under Verizon's proposal? Is it when the DS1 threshold is reached or is it triggered as soon as two CLECs begin to exchange traffic using tandem traffic service?

MR. D'AMICO: It's when they start exchanging traffic.

MR. GOYAL: So, there's two options, I guess, or two routes under which Verizon could assess the charges above the TELRIC transit service charges. One would be when the DS1 threshold is reached, and the other would be 180 days after the two CLECs begin exchanging traffic using transit service?

MR. D'AMICO: Yes.

And I would like to point out, too, that those additional charges were a way for us to work through negotiations. We would prefer for them just to get the traffic off the tandem. That additional language was an attempt to kind of have the transition period where AT&T would get more time to negotiate with the terminating CLEC.

Then we also had language that said that if they were unable to reach an agreement through no fault of their own, then AT&T could go to a Commission and Verizon would not stop transit traffic until a decision was made by the Commission.

So, again, that was an attempt as the parties were negotiating to say, okay, how can we kind of work through this and come up with alternative language.

MR. KEFFER: Let me read you a sentence from your proposed contract paragraph 7.2.4. I'm three or four sentences down into the proposal. The sentence is, and I'm quoting, "At the end of the transition period, Verizon may, in its sole discretion, terminate tandem transit traffic service to AT&T with respect to the subject third-party carrier." And then there is a proviso that goes on from that.

But I'm focused on the word "terminate" in that sentence as it applies to tandem traffic transit service.

Now, my reading of that, and please correct me if I'm wrong, is that if we don't move the traffic off, and we lose the ability to route any traffic at all through the tandem, and I will stop there. Am I right or wrong about that?

MR. D'AMICO: I believe that's tied into when it reaches a DS1 level. Is that the language you're specifying?

MR. KEFFER: I see that you're looking at the JDPL, and I'm looking at the contract page. But I'm in 7.2.4.

MR. D'AMICO: Okay.

MR. KEFFER: And three or four sentences down, the sentence that starts "At the end of the transition period."

MR. D'AMICO: "At such time that AT&T's tandem transit traffic exceeds the threshold level upon receipt of a written request from AT&T," is that where you're at?

MR. KEFFER: No. Further down. The sentence starts--

MR. D'AMICO: Verizon shall continue to

provide tandem transit service?

MR. KEFFER: The sentence starts: "At the end of the transition period."

MS. PREISS: It's on page 66 of our JDPL, in the middle of the page.

MR. D'AMICO: Okay. So at the end of the transition period Verizon may in its sole discretion terminate transit service. Correct.

And again, that transition period is tied to the DS1 level.

MR. KEFFER: But this is my question: If we cannot or will not get the traffic off the tandem or if we do get traffic off the tandem, and then we have overflow traffic, are you going to exercise this option, which you have in your sole discretion, to terminate the transit traffic agreement?

MR. D'AMICO: Not if it's under a DS1.

MR. KEFFER: I am really struggling to understand your point here, so is your position that for traffic between, say, AT&T and another CLEC, every time the traffic gets up to a DS1

level, we've got to roll that traffic off onto a direct connection, and then any additional traffic above and beyond that, in your view, we could continue to route to the tandem up to the time that that additional traffic reached the DS1 level, and then we would have to put that on a direct connection. Is that what you're saying?

MR. D'AMICO: Yes.

MR. KEFFER: Okay. Where in the language does it say that?

MR. D'AMICO: I think I just read it where it talks about a DS1 threshold.

You can establish a direct trunk group with an independent or a CLEC, and we would have no knowledge of that; so, on day one you could do that, and we would never see the traffic. What we are trying to do is to say okay, we've got a tandem and we've got people coming into that tandem. When that level of traffic between A and B becomes a DS1, we need to get that traffic or we need to keep that traffic below a DS1. So, whether that's overflow traffic or direct traffic, that's what we

are trying to do here.

Now, if the language is somewhat confusing, then maybe we could clarify it, but that's what we are trying to do. And again, when we see a minute coming in, and maybe Don could back me up on this, we don't know if it's a direct minute or if that CLEC has another direct trunk group to another provider.

MS. PREISS: Maybe Mr. Keffer now understands, but I'm still confused, so bear with me.

MR. D'AMICO: Okay.

MS. PREISS: I see a sort of temporal aspect to it. Let's say AT&T is exchanging traffic with WorldCom, but they have no direct connection with WorldCom, so all that traffic is being routed through Verizon's tandem.

MR. D'AMICO: Okay.

MS. PREISS: At some point the traffic exceeds DS1 threshold that's set forth in Section 7.2.4 of Verizon's proposed contract.

Under that contract language, AT&T would

then be obligated to take that traffic off the Verizon tandem and establish direct trunking with WorldCom because, under this language, Verizon, at its option, may, quote, terminate tandem traffic--transit traffic service to AT&T, end quote.

My question is this: If they take sufficient traffic off of the Verizon tandem, will Verizon continue to provide--does this contract language allow Verizon to say that it will provide no further tandem transit service, period, or that it will continue to provide service should AT&T require up to--so, below the DS1 level of traffic between AT&T and WorldCom? That's what I'm not understanding, and I did not ask that very well, so I've probably added to the confusion. But if you understood my question, could you take a stab at answering it.

MR. D'AMICO: As long as the traffic is below a DS1 level, Verizon will transit that traffic--

(Phone rings and off the record.)

MS. PREISS: Verizon will continue to provide tandem traffic transit service up to a DS1 threshold level, even if a particular carrier, AT&T in this example, to which you provided that service has previously had traffic that exceeded that threshold, taken that off the tandem, and is now transitting traffic below the DS1 threshold? Your position is that 7.2.4 does not relief Verizon of or that Verizon is willing to continue to do that under this contract language?

MR. D'AMICO: Yes.

MS. PREISS: Thank you.

MR. DYGERT: Could you also explain to us how the 180 days works, and when that kicks in because I'm confused about that, still.

MR. D'AMICO: That's a good question. Again, my recollection of 180 days was to get the two parties talking, and to get them to enter into an agreement.

MR. DYGERT: The two parties being the two CLECs that are transitting traffic?

MR. D'AMICO: Yes, sir.

MR. DYGERT: So, your 180 days would start running from the first minute of transit traffic that ran between those two CLECs?

MR. D'AMICO: Yes, it says initial traffic exchange with the relevant third party. So, they didn't send any traffic, then it wouldn't kick in until they started sending that traffic through the third party through Verizon.

MR. DYGERT: And then from that first day that traffic passes, they have 180 days to reach an agreement for direct trunking except if they have traffic only below a DS1, and then they can continue to use the tandem?

MR. D'AMICO: The language says that if they do not enter into an agreement within 180 days, that Verizon may terminate tandem transit service with 30 days' notice.

MR. DYGERT: But is that true only if their transit traffic exceeds DS1 level, or could it terminate traffic at the end of 180 days even if the transit traffic did not exceed a DS1 level?

MR. D'AMICO: That's a good question. I

mean, when I read this, it basically says that Verizon can just terminate and not provide any transit service to--after the 180-day time period.

MR. DYGERT: Is that your understanding of Verizon's position, or is that a problem with the contract language?

MR. D'AMICO: It's probably a little bit of both. I probably need to check on that. But in looking at the contract language, it does look like that we could just terminate the transit after that 180 days.

MR. GOYAL: Would it satisfy Verizon's concerns of tandem exhaustion to be able to terminate tandem transit traffic under the terms of that provision within the 180 days of the traffic reaching and staying above a DS1 threshold and if the traffic returned to below a DS1 threshold then the 180 days would stop running?

MR. D'AMICO: I think it may, but I would need to check on that with one of our folks.

MR. GOYAL: Could we make that a record request?

MR. D'AMICO: I'll get back to you. Maybe even the next time I'm up here, I could tell you.

RECORD REQUEST

MS. FARROBA: I think this was discussed last week, but what percentage of tandem traffic is transit traffic?

MR. D'AMICO: I'm not aware of what the percentage is. Do you know?

MR. ALBERT: I don't know.

MR. D'AMICO: You mean from all the traffic?

MS. FARROBA: Yes, from the tandem traffic as a whole.

MR. D'AMICO: I don't know that.

MS. FARROBA: Then I would make a request to Verizon for a response on that as well.

RECORD REQUEST

MR. KEFFER: If I could interject here, we asked that question in discovery, and Verizon did not answer it; and, in fact, that's the next line of questioning that I was going to make a point to get into.

MS. FARROBA: Go ahead.

MR. EDWARDS: Could we hold that record request in abeyance until we finish this? Let me know. Okay.

MS. FARROBA: Yes.

MR. KEFFER: Mr. Albert, you were present in the room this morning when Mr. Schell characterized Verizon's response to AT&T request 6-22 where I believe Mr. Schell asserted that Verizon was unable to identify the types of traffic that were causing the tandem exhaust problems that you have alluded to several times in your testimony?

MR. ALBERT: I heard him say that. I disagree, but I heard him say that.

MR. KEFFER: Let's look at the data response and figure it out.

Mr. Loux is handing out the response I described, and could we mark that as AT&T Exhibit 38.

(AT&T Exhibit No. 38 was marked for identification.)